

POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year ended June 30, 2022



31 Innovation Alley, Covington, KY 41011

Photo Credit: Sam Greenhill



INTRODUCTION

LETTER TO CITIZENS

Dear City Residents,

We are proud to present the City of Covington's first ever Popular Annual Financial Report (PAFR) for the 2022 Fiscal Year.

The purpose of this report is to present a condensed overview of the City's financial position. This report is specifically intended to be accessible and understandable to our residents and other interested parties who do not have a background in public finance.

The City is a regular recipient of the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting, and this report builds upon that dedication to transparency for our stakeholders.

Respectfully,

Ken Smith

City Manager

Steve Webb

Finance Director

WHAT'S INSIDE

Page 3: City Leadership

An overview of how the City is run and the people responsible for its operations.

Also includes a brief bio of the City.

Page 4: Financial Information

Multiple graphic displays detailing how City revenues were generated and spent.

Also includes an introduction to the Popular Annual Financial Report.

Page 5: Budget to Actual Comparison

A chart of the City's fiscal performance to budget.

Also includes a listing of phone contacts.

Page 6: Major Projects

A highlight of the Covington Central Riverfront district and the new City Hall projects.

Also includes a listing of projects completed in FY 2022.

Page 7: General Fund Components

Definitions for the different classifications of fund balances in the General Fund.

Also includes a brief listing of outcomes from Economic Development initiatives at the City.

Page 8: Financial Highlights

Key takeaways from Fiscal Year 2022.

Also includes a listing of ways to stay connected to the City.

Page 9: Next Year's Budget

A look at the FY 2023 All-Funds budget.

Also includes a listing of projects underway.

CITY LEADERSHIP

BOARD OF COMMISSIONERS

The City operates under a City Manager form of government. The Board of Commissioners is the City of Covington's governing board. It is composed of a Mayor and four Commissioners. The Mayor holds a four-year term and Commissioners hold two-year terms. The City of Covington has a number of boards and commissions on which city residents serve. Under Kentucky law, the Mayor appoints the members of these boards and commissions, subject to the approval of the City Commission. The City Manager is appointed by the Board of Commissioners and is responsible for the day-to-day operations of the City.



Joseph U. Meyer, Mayor



Ron Washington, Mayor Pro Tem/Commissioner



*Michelle Williams,
Commissioner*



*Tim Downing,
Commissioner*



*Shannon Smith,
Commissioner*

COVINGTON BIO

The City of Covington offers small-city charm and big-city benefits.

Incorporated in 1815 at the confluence of the Ohio and Licking rivers and named after a war hero, Covington's population of over 40,000 people makes it at once both Kentucky's fifth-most populous city and the largest (and closest) Northern Kentucky neighbor of massive Cincinnati just to the north.

The City is defined by its handsome architecture, historic homes, repurposed commercial spaces, a racially and ethnically diverse populace, an extensive parks system, and an Old World work ethic infused with creative talent. With a nod to its past, Covington celebrates an innovative and vibrant future.

FINANCIAL INFORMATION

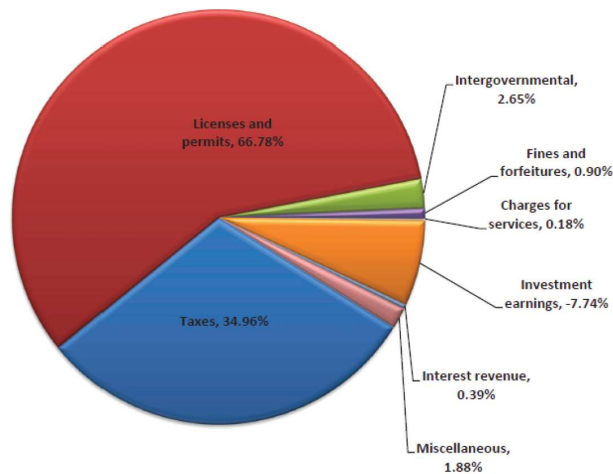
INTRO TO THE PAFR

The Popular Annual Financial Report (PAFR) is produced for the purpose of briefing the residents of the City of Covington and other interested parties on the financial standing of their City Government. The information contained within this report is derived from the 2022 Annual Comprehensive Financial Report (ACFR). The ACFR conforms to the generally accepted accounting principles (GAAP) and includes the audited financial statements for the City. The financial information in the PAFR is primarily from the Governmental Funds and does not include all component units.

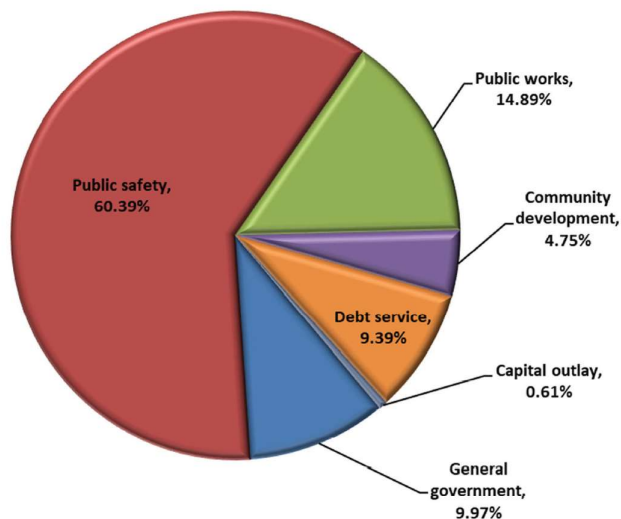
For more detailed information please refer to the ACFR, which is made available to the public via the City's website:

www.covingtonky.gov

GENERAL FUND REVENUES



GENERAL FUND EXPENSES



GENERAL FINANCIAL INFORMATION

- The City's General Fund makes up the largest share of governmental fund balances, ending the year with a \$21.08m fund balance.
- Primary Government liabilities exceeded assets by \$71.63m at the close of fiscal year 2022 due to pension and other post-employment obligations, specifically the unfunded liability of the State pension system that is allocated to the City. This also drives the unrestricted net position deficit of \$116.26m.
- Governmental Funds report combined ending fund balances of \$30.04m.

BUDGET TO ACTUAL

General Fund Budget to Actual

Revenues	Budget	Actual
Taxes	\$19,141,167	\$18,979,995
Licenses and Permits	\$33,770,421	\$36,260,481
Intergovernmental	\$2,030,000	\$1,439,291
Fines and Forfeitures	\$596,174	\$490,664
Charges for Services	\$55,182	\$97,999
Investment Earnings (Loss)	\$614,867	(\$4,200,680) *
Interest Income	\$215,000	\$210,124
Miscellaneous	\$534,600	\$1,019,119
TOTAL REVENUES	\$56,957,411	\$54,296,993

Expenses	Budget	Actual
Payroll	\$28,264,903	\$27,091,585
Pension benefits	\$10,112,422	\$10,035,708
Health Insurance	\$5,330,988	\$5,225,163
Other benefits	\$2,051,090	\$1,666,816
Contractual services	\$5,579,275	\$3,896,327
Materials and supplies	\$2,934,533	\$2,358,965
Miscellaneous	\$251,094	\$187,164
Legacy Pension Contributions	\$584,000	\$584,000
Debt Service	\$4,878,680	\$5,321,458
Capital Outlay	\$0	\$345,540
TOTAL EXPENSES	\$59,986,985	\$56,712,726

Other Financing Sources (Uses)	Budget	Actual
Transfers In (Out)	\$1,033,848	\$3,216,840
Other	\$248,749	(\$59,052)
TOTAL OTHER FINANCING	\$1,282,597	\$3,157,788
NET CHANGE IN FUND BALANCE	(\$1,746,977)	\$742,055

BEGINNING FUND BALANCE	\$20,334,614	\$20,334,614
ENDING FUND BALANCE	\$18,587,637	\$21,076,669

*Conforming with Generally Accepted Accounting Principles the City reported an unrealized loss for the fiscal year. An unrealized loss is the difference between the purchase price and the secondary market sale price, were the City to sell its bond holdings before they mature.

CONTACT US

City Hall: 859-292-2160

Police Department Non-Emergency Phone: 859-292-2222

Public Works: 859-292-2292

Housing Choice Voucher Program Office: 859-292-2188

Forestry Division Garage: 859-292-2157

Fire Department, Company 1: Headquarters and administrative offices: (859) 431-0462

Fire Department, Company 2: West Covington: (859) 581-9835

Fire Department, Company 5: South Covington: (859) 356-6809

Fire Department, Company 6: Peaseburg: (859) 431-3098

Fire Department, Company 8: Latonia: (859) 581-9918

MAJOR PROJECTS

COMPLETED IN FY22

DBL Law: One of the region's largest law firms moved its headquarters to the historic Monarch building.

Former Two Rivers Middle School: Renovated into modern office space for the global HQ of branding and marketing firm DeanHouston+.

First Financial: A long-time lender to many recent revitalization projects in the City, First Financial opened its Northern Kentucky headquarters on the corner of Madison and 6th St.

M&M Mid Valley Service and Supply: \$3.3 MM renovation of a vacant industrial building for the new HQ of this family business.

COVINGTON CENTRAL RIVERFRONT

The 23-acre site has been cleared for the Covington Central Riverfront district.



Photo Credit: Sam Greenhill

NEW CITY HALL

The City has bought land and hired an architect to design a new City Hall.



Photo Credit: Sam Greenhill

FUND BALANCE

GENERAL FUND BALANCE COMPONENTS

Unassigned Fund Balance: \$8,057,082

Unassigned fund balances are available for spending at the City's discretion.

Assigned fund balance: \$10,000,000

Assigned fund balances are amounts designated by City Commission for a particular purpose but are not spendable until a Budget Ordinance is passed or there is a majority vote approval.

Committed fund balance: \$0

Committed fund balances are amounts that can be used only for specific purposes as determined by formal action of the City Commission by Ordinance or Order.

Restricted fund balance: \$0

Restricted fund balances are amounts that can be spent only for specific purposes e.g. (1) for approved capital improvement projects, or (2) restricted by state or federal laws, or (3) restricted by externally imposed conditions by grantors or creditors.

Non-spendable fund balance: \$3,019,587

Non-spendable fund balances cannot be spent either because it is in non-spendable form or because there are legal or contractual reasons.



Photo Credit: Sam Greenhill

FY22 NUMBERS TELL THE STORY

Creation of 1,641 new jobs and \$57.5 million in private capital investment; major expansions announced at Fidelity Investments, Gravity Diagnostics, Rizzo Bros Painting, and Hotel Covington.

Class A Office Vacancy as of January 6, 2022, was 4.2 percent as compared to 10 years ago when it was at 30.3 percent vacancy.

422,531 square feet of commercial space filled/improved.

Over 500 zoning permits and Certificates of Appropriateness issued, proving our new Neighborhood Development Code makes Covington one of the easiest places to invest and do business in the region.

FINANCIAL HIGHLIGHTS

STAY CONNECTED

At the City of Covington, we think residents deserve and need to know what's going on with their City government. So we make it easy for you to follow the "news" in Covington:

- Go to the City's website at covingtonky.gov and read "FEATURED NEWS"
- Follow us on LinkedIn @city-of-covington
- Facebook, Instagram, and Twitter @covingtonkygov
- Sign up to get daily informational emails by:
 - 1) Going to the City's website
 - 2) Clicking on the "COVINGTON NEWS" icon
 - 3) Typing your name and email address

KEY TAKEAWAYS

The City's financial highlights for the FY ended June 30, 2022 include:

- ✚ The City's FY 2022 carry-over is \$742,055 resulting in a General Fund balance at year-end of \$21,076,669.
- ✚ The City recognized an increase in payroll revenue of 17.1% over FY 2021.
- ✚ The City recognized an increase in net profit revenue of 20.1% over FY 2021.
- ✚ The City's insurance license fee revenue decreased to \$8,010,764 in FY 2021, a decrease of \$557,041 or (6.5%) from the previous year.
- ✚ Program revenues increased in FY 2022 compared to FY 2021 due to an increase in operating grants and contributions.
- ✚ General revenues were higher in FY 2022 than FY 2021 primarily due to an increase in taxes collected and an increase in interest income.
- ✚ The City's governmental funds reported combined fund balances of \$30,043,235, a decrease of \$1,885,803 from the prior FY. Much of this decrease in the major funds occurred in the IRS Site Construction Fund, related to the development of the Covington Central Riverfront.



Photo Credit: Sam Greenhill

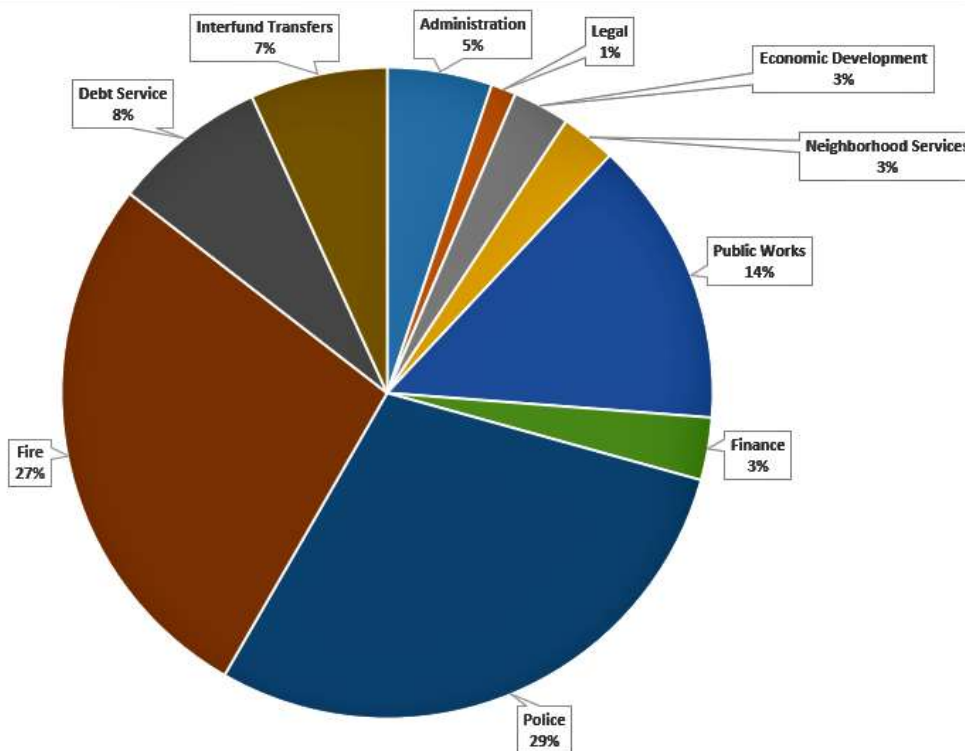
NEXT YEAR'S BUDGET

COVINGTON'S \$168M ALL-FUNDS BUDGET

- ✚ The General Fund is the principal fund of the City's operations, but there are 27 other funds under the City's purview.
- ✚ Some 56% of the \$69m General Fund budget is allocated to public safety.
- ✚ Continued work to develop 23 vacant acres downtown.
- ✚ A permanent building for the Covington Farmers Market.
- ✚ Work to address slippage on the Licking River levee.
- ✚ Recruiting help for the police and fire departments.
- ✚ Progress toward the first stand-alone home for City operations in 120 years.
- ✚ Protecting neighborhoods from blight and dilapidated buildings.
- ✚ Affordable housing initiatives.

"A city's budget is the blueprint for its priorities and its vision. Our new budget not only focuses on improvements to our core services but also provides for some truly transformational projects."

City Manager Ken Smith



PROJECTS UNDERWAY

303 Court: Developers have converted the building into 133 apartments and ground-floor restaurant/retail space with some on-site parking.

Covington Central Riverfront: The new blocks will be subdivided into parcels similar in size and shape to the existing vibrant mixed-use districts in the city and individual developers will be selected for each site.

Hotel Covington Expansion: a \$22.5 million redevelopment of the former YMCA and Gateway Bookstore.

Republic Bank Building: The Republic Building Project is a \$4.8 million renovation of a 27,000 SF office building into a multi-tenant office building with modern finishes.

Send your feedback on this report to the Finance Director, steve.webb@covingtonky.gov